CHAPTER I

INTRODUCTIONS

1.1   Background

A promising market to consider within South East Asia is Indonesia. In the last five years, Indonesia's population has continuously increased (in millions) 266,911.9 (2019), 270,203.9 (2020), 272,682.5 (2021), 275,773.8 (2022) and 278,696.2 (2023) (Central Statistics Agency, 2023). Significantly, forty-five percent of the yearly population falls into the middle-class category (World Bank, 2019), and this class has become the backbone of the Indonesian economy (Swasono, 2023). Marketing literature shows that the middle class is the primary consumer of masstige products (Kumar et al., 2021; Silverstein & Fiske, 2003). Masstige refers to prestige for the masses, and thus, masstige products are in the middle between traditional luxury and ordinary products (Silverstein & Fiske, 2003). Given the high per capita expenditure of the Indonesian people (Rp) (Rizaty, 2022) and the increasing need for social status (Putri & Burhanudin, 2023), studies on the marketing of masstige products in emerging markets are highly recommended (Kumar et al., 2021). The figure 1.1 is data compiled to show the population of Indonesia in the last five years.
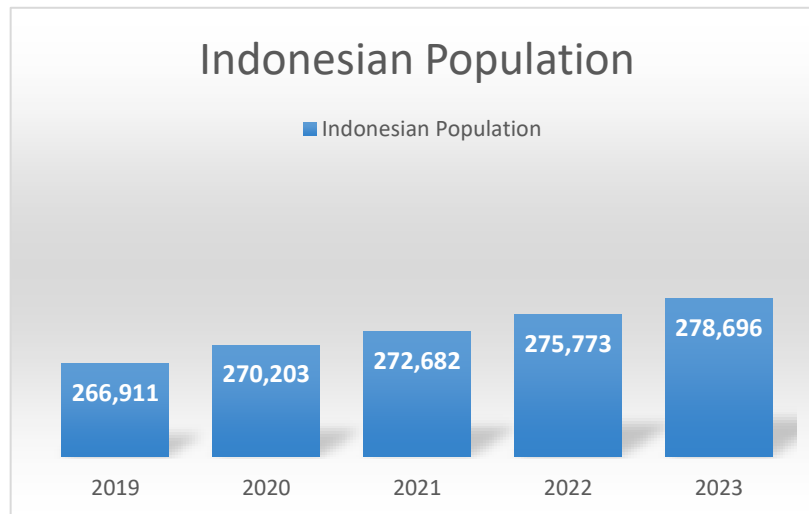
Figure 1. 1

Indonesian Population

Masstige products are widely spread through social media. Social media encompasses online platforms facilitating user interaction, including creating and disseminating information, content, and ideas (Creevey et al., 2022). With the prevalence of free social media, people have embraced it as a platform for exchanging stories, a phenomenon known as social media word-of-mouth (social media WOM) (Salem & Alanadoly, 2021). A survey shows that 88% of consumers in Southeast Asia place the highest level of trust in word-of-mouth recommendations from acquaintances (Nielsen, 2015). The spread of masstige products on social media can provide luxury (Park et al., 2021) and exclusivity for the masses (Bilro et al., 2022). Masstige has become a unique buzzword in the industry, and thus, a greater understanding of masstige products helps advance our understanding of masstige buying behavior (Paul, 2019).

The massive use of social media demands understanding the formation of perceptions. Perception, an essential aspect, pertains to consumers' opinions,

emotions, and beliefs regarding a brand or product (Huong et al., 2022). The first aspect of perception is perceptual distance, which denotes the variance in perceiving something (Gibson et al., 2009). Perceptual distance can influence how consumers perceive and evaluate products or services. Another aspect of perception is luxury perception, characterized by a contextual interpretation of life experiences distinct from the inherent attributes of the offering itself (Creevey et al., 2022). Luxury perception holds significance for consumers as it offers intangible benefits, including status, exclusivity, and hedonic rewards, contributing to enhanced self-esteem and recognition from others (MacGregor Pelikánová & MacGregor, 2020; Mahakunajirakul, 2022). Companies can leverage consumer perceptions to comprehend how products are perceived and how they fare compared to competitors. The relationship between social media WOM, perceptual distance, and luxury perception requires further exploration (Creevey et al., 2022).

Encouraging purchase intention among consumers is essential to a marketing program. Purchase intention indicates consumers' likelihood of purchasing a particular product (Mustafi & Hosain, 2020). Marketing activities that create perceptions, such as perceptions of quality, social, personal, and functional value, are intended to create purchase intention (Park et al., 2021). Perceptions can be the basis for consumers' purchase intentions because they will shape their motivation toward a product. Consumers' perceptions of the value they will receive from a product can also shape their intention to buy it. The link between perceptual distance, luxury perception, and purchase intention should be explored (Park et al., 2021).

The widespread use of masstige products in society demands understanding the formation of purchase behavior. Masstige purchase behavior is the primary behavior of the middle class (Singh & Wagner, 2023). The growing middle-class segment, based on desires, aspirations, and purchasing power, has changed how people behave (Rosendo-Rios & Shukla, 2023). Masstige purchase behavior is vital for collectivist countries because it can increase their social status and prestige (Pillai & Nair, 2021). Purchase behavior is personal behavior that can be manipulated through information and emotional processes (Ghahtarani et al., 2020). It is crucial to understand consumer purchase behavior because of their complex purchasing decisions. Companies can use middle-class purchase behavior to tailor marketing strategies that suit consumer needs and preferences.

This study examines the role of social media WOM in driving masstige purchase behavior. This study involves perceptual distance, luxury perception, and purchase intention in such an investigation. Social media WOM is included as consumers may rely on social media product reviews before making purchase decisions (Abdullah et al., 2022; Tsai & Bui, 2021). Perceptual distance and luxury perception are included as the first relates to evaluating products or services (Togawa & Sugitani, 2022), and the second relates to self-esteem, status, and reputation (Park et al., 2021). Purchase intention and purchase behavior are included as the first measures a customer's willingness to purchase a specific product, and the second measures a customer's actual behavior (Ho et al., 2022).

This study holds both theoretical and practical significance. Theoretically, this study is critical because it advances our understanding of masstige purchase

behavior. Previous studies on masstige products have focused mainly on purchase intention (Burhanudin, 2023; Purohit & Radia, 2022). Practically, this study helps managers market masstige products in connection with the popularity of social media and respond quickly to changes in perceptions (Park et al., 2021) and issues that arise on social media to encourage purchase behavior (Abdullah et al., 2022).

1.2   Problem Formulation

Based on the background of the problem above, the problem formulations in this study are:

1. Does social media WOM significantly influence perceptual distance?

2. Does social media WOM significantly influence luxury perception?

3. Does social media WOM significantly influence purchase intention?

4. Does perceptual distance significantly influence purchase intention?

5. Does luxury perception significantly influence purchase intention?

6. Does purchase intention significantly influence purchase behavior?

1.3   Research Objectives

Based on the problem formulation in this study, the research has the following objectives:

1. Analyzing the significance of the influence of social media WOM on perceptual distance

2. Analyzing the significance of the influence of social media WOM on luxury perception

3. Analyzing the significance of the influence of social media WOM on purchase intention

4. Analyzing the significance of the influence of perceptual distance on purchase intention

5. Analyzing the significance of the influence of luxury perception on purchase intention

6. Analyzing the significance of the influence of purchase intention on purchase behavior

1.4   Research Benefits

By achieving the research objectives, the expected research results will be able to provide the following benefits:

1. For Researchers

    The results of this study are expected to add new insights, knowledge, and references for future researchers regarding the role of social media that can impact perceptions and purchase intentions, which in turn can encourage consumers to make actual purchases of masstige products.

2. For the Community

    The results of this study are expected to increase consumer awareness of how the influence of social media, perceptual distance, and luxury perception can influence their purchasing decisions regarding masstige products and help consumers make more informed purchasing decisions.

3. For the Company

    The results of this study are expected to provide valuable insights for companies to develop more effective marketing strategies and can use the findings of this study to adjust their marketing campaigns, including WOM strategies on social

media, to control perceptions, increase purchase intentions, and influence consumer purchasing behavior.

4. For Hayam Wuruk Perbanas University Surabaya

The results of this study are expected to be an additional reference regarding masstige products and not only provide academic and reputational benefits for the campus, but also provide opportunities to enhance student learning experiences and strengthen campus relationships with industry and the wider community.

1.5 Systematics of Writing

The systematics of this research consists of three chapters which aim to provide an overview of the content and research to make it clearer and more structured. The structure of this research is as follows:

CHAPTER I : INTRODUCTION

> This chapter contains the background of the problem, problem formulation, research objectives, research benefits, and systematics of research writing.

CHAPTER II : LITERATURE REVIEW

> This chapter contains previous research, theoretical foundations, variable relationships, research framework, and research hypothesis.

CHAPTER III : RESEARCH METHODS

> This chapter contains research design, research limitations, variable identification, operational definitions and variable measurement, research instruments, population, sample, and sampling technique,

data and data collection methods, validity and reliability test of research instruments, data analysis technique.

CHAPTER IV : DESCRIPTION OF RESEARCH SUBJECTS AND DATA

ANALYSIS

This chapter contains description of research subjects, data analysis, and discussion.

CHAPTER V : CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

This chapter contains conclusions, limitations, and suggestions.